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T. GLENN LATHAM  
ADMINISTRATOR

November 13, 2006

Board of Directors  
Credit Union Addressed

Re: Credit Union Tax Exemption

Ladies and Gentlemen:

This letter serves as an update of previous letters addressing tax exemption for state chartered credit unions in Alabama. The Code of Alabama, 1975 exempts Alabama state-chartered credit unions from taxation in at least two sections. The Rules of the Alabama Revenue Department also specifically exempts state-chartered credit unions from sales and use taxes.

**§ 40-23-4. – Exemptions**, states: “(a) There are exempted from the provisions of this division and from the computation of the amount of the tax levied, assessed or payable under this division the following: (17) The gross proceeds of sales of tangible personal property or the gross receipts of any business which the state is prohibited from taxing under the Constitution or laws of the United States or under the Constitution of this state.”

**§ 5-17-24. – Taxation**, states: “A credit union shall be deemed an institution for savings, and together with all accumulations therein, shall not be subject to taxation except as to real estate owned, as to the franchise tax required of other corporations and as to the excise tax required of financial institutions...”

Finally, The Alabama Department of Revenue **Sales & Use Tax Rule #810-6-3-.16** (formerly rule #G27-421) states: “The sale to, or use by, a Federal or state chartered credit union of tangible personal property in this state is not subject to sales or use taxes.”

As **ALL** credit unions are exempt from sales and use taxes in Alabama, there is no need to apply for a tax exempt number from the Department of Revenue. This letter should serve as adequate notification to any vendor that your credit union is not required to pay any tax other than those specifically named in §5-17-24.

Sincerely,

T. Glenn Latham  
Administrator

TGL:cd